

107TH CONGRESS
1ST SESSION

H. R. 3090

To provide tax incentives for economic recovery.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 11, 2001

Mr. THOMAS introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To provide tax incentives for economic recovery.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; ETC.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Economic Security and Recovery Act of 2001”.

6 (b) REFERENCES TO INTERNAL REVENUE CODE OF
7 1986.—Except as otherwise expressly provided, whenever
8 in this Act an amendment or repeal is expressed in terms
9 of an amendment to, or repeal of, a section or other provi-
10 sion, the reference shall be considered to be made to a
11 section or other provision of the Internal Revenue Code
12 of 1986.

1 (c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—BUSINESS PROVISIONS

Sec. 101. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2003.

Sec. 102. Temporary increase in expensing under section 179.

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Sec. 104. Carryback of certain net operating losses allowed for 5 years.

Sec. 105. Recovery period for depreciation of certain leasehold improvements.

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Sec. 201. Acceleration of 25 percent individual income tax rate.

Sec. 202. Repeal of 5-year holding period requirement for reduced individual capital gains rates.

Sec. 203. Temporary increase in deduction for capital losses of taxpayers other than corporations.

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TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

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Sec. 307. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.

Sec. 308. Qualified zone academy bonds.

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Sec. 310. Parity in the application of certain limits to mental health benefits.

Sec. 311. Delay in effective date of requirement for approved diesel or kerosene terminals.

Subtitle B—One-Year Extensions

Sec. 321. One-year extension of availability of medical savings accounts.

Subtitle C—Permanent Extensions

Sec. 331. Subpart F exemption for active financing.

Subtitle D—Other Provisions

Sec. 341. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.

Sec. 342. Limitation on use of nonaccrual experience method of accounting.

TITLE IV—SUPPLEMENTAL REBATE; OTHER PROVISIONS

Sec. 401. Supplemental rebate.

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TITLE V—HEALTH CARE ASSISTANCE FOR THE UNEMPLOYED

Sec. 501. Health care assistance for the unemployed.

1 TITLE I—BUSINESS PROVISIONS

2 SEC. 101. SPECIAL DEPRECIATION ALLOWANCE FOR CER-
3 TAIN PROPERTY ACQUIRED AFTER SEP-
4 TEMBER 10, 2001, AND BEFORE SEPTEMBER
5 11, 2003.

6 (a) IN GENERAL.—Section 168 (relating to acceler-
7 ated cost recovery system) is amended by adding at the
8 end the following new subsection:

9 “(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY
10 ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE
11 SEPTEMBER 11, 2003.—

12 “(1) ADDITIONAL ALLOWANCE.—In the case of
13 any qualified property—

14 “(A) the depreciation deduction provided
15 by section 167(a) for the taxable year in which
16 such property is placed in service shall include
17 an allowance equal to 30 percent of the ad-
18 justed basis of the qualified property, and

19 “(B) the adjusted basis of the qualified
20 property shall be reduced by the amount of
21 such deduction before computing the amount
22 otherwise allowable as a depreciation deduction

1 under this chapter for such taxable year and
2 any subsequent taxable year.

3 “(2) QUALIFIED PROPERTY.—For purposes of
4 this subsection—

5 “(A) IN GENERAL.—The term ‘qualified
6 property’ means property—

7 “(i)(I) to which this section applies
8 which has a recovery period of 20 years or
9 less or which is water utility property, or

10 “(II) which is computer software (as
11 defined in section 167(f)(1)(B)) for which
12 a deduction is allowable under section
13 167(a) without regard to this subsection,

14 “(ii) the original use of which com-
15 mences with the taxpayer after September
16 10, 2001,

17 “(iii) which is—

18 “(I) acquired by the taxpayer
19 after September 10, 2001, and before
20 September 11, 2003, but only if no
21 written binding contract for the acqui-
22 sition was in effect before September
23 11, 2001, or

24 “(II) acquired by the taxpayer
25 pursuant to a written binding contract

1 which was entered into after Sep-
2 tember 10, 2001, and before Sep-
3 tember 11, 2003, and

4 “(iv) which is placed in service by the
5 taxpayer before December 31, 2003.

6 “(B) EXCEPTIONS.—

7 “(i) ALTERNATIVE DEPRECIATION
8 PROPERTY.—The term ‘qualified property’
9 shall not include any property to which the
10 alternative depreciation system under sub-
11 section (g) applies, determined—

12 “(I) without regard to paragraph
13 (7) of subsection (g) (relating to elec-
14 tion to have system apply), and

15 “(II) after application of section
16 280F(b) (relating to listed property
17 with limited business use).

18 “(ii) ELECTION OUT.—If a taxpayer
19 makes an election under this clause with
20 respect to any class of property for any
21 taxable year, this subsection shall not
22 apply to all property in such class placed
23 in service during such taxable year.

24 “(iii) REPAIRED OR RECONSTRUCTED
25 PROPERTY.—Except as otherwise provided

1 in regulations, the term ‘qualified property’
2 shall not include any repaired or recon-
3 structed property.

4 “(iv) QUALIFIED LEASEHOLD IM-
5 PROVEMENT PROPERTY.—The term ‘quali-
6 fied property’ shall not include any quali-
7 fied leasehold improvement property (as
8 defined in section 168(e)(6)).

9 “(C) SPECIAL RULES RELATING TO ORIGI-
10 NAL USE.—

11 “(i) SELF-CONSTRUCTED PROP-
12 ERTY.—In the case of a taxpayer manufac-
13 turing, constructing, or producing property
14 for the taxpayer’s own use, the require-
15 ments of clause (iii) of subparagraph (A)
16 shall be treated as met if the taxpayer be-
17 gins manufacturing, constructing, or pro-
18 ducing the property after September 10,
19 2001, and before September 11, 2003.

20 “(ii) SALE-LEASEBACKS.—For pur-
21 poses of subparagraph (A)(ii), if
22 property—

23 “(I) is originally placed in service
24 after September 10, 2001, by a per-
25 son, and

1 “(II) is sold and leased back by
 2 such person within 3 months after the
 3 date such property was originally
 4 placed in service,
 5 such property shall be treated as originally
 6 placed in service not earlier than the date
 7 on which such property is used under the
 8 leaseback referred to in subclause (II).

9 “(D) COORDINATION WITH SECTION
 10 280F.—For purposes of section 280F—

11 “(i) AUTOMOBILES.—In the case of a
 12 passenger automobile (as defined in section
 13 280F(d)(5)) which is qualified property,
 14 the Secretary shall increase the limitation
 15 under section 280F(a)(1)(A)(i) by \$4,600.

16 “(ii) LISTED PROPERTY.—The deduc-
 17 tion allowable under paragraph (1) shall be
 18 taken into account in computing any re-
 19 capture amount under section
 20 280F(b)(2).”

21 (b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM
 22 TAX.—

23 (1) IN GENERAL.—Section 56(a)(1)(A) (relat-
 24 ing to depreciation adjustment for alternative min-

imum tax) is amended by adding at the end the following new clause:

“(iii) ADDITIONAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2003.—The deduction under section 168(k) shall be allowed.”

(2) CONFORMING AMENDMENT.—Clause (i) of section 56(a)(1)(A) is amended by inserting “or (iii)” after “(ii)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after September 10, 2001, in taxable years ending after such date.

SEC. 102. TEMPORARY INCREASE IN EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—The table contained in section 179(b)(1) (relating to dollar limitation) is amended to read as follows:

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002 or 2003	35,000
2004 or thereafter	25,000.”

(b) TEMPORARY INCREASE IN AMOUNT OF PROPERTY TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—Paragraph (2) of section 179(b) is amended by inserting

1 before the period “(\$325,000 in the case of taxable years
2 beginning during 2002 or 2003)”.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2001.

6 **SEC. 103. REPEAL OF ALTERNATIVE MINIMUM TAX ON COR-**
7 **PORATIONS.**

8 (a) IN GENERAL.—So much of section 55 as precedes
9 subsection (b)(2) is amended to read as follows:

10 **“SEC. 55. ALTERNATIVE MINIMUM TAX FOR TAXPAYERS**
11 **OTHER THAN CORPORATIONS.**

12 “(a) IN GENERAL.—In the case of a taxpayer other
13 than a corporation, there is hereby imposed (in addition
14 to any other tax imposed by this subtitle) a tax equal to
15 the excess (if any) of—

16 “(1) the tentative minimum tax for the taxable
17 year, over

18 “(2) the regular tax for the taxable year.

19 “(b) TENTATIVE MINIMUM TAX.—For purposes of
20 this part—

21 “(1) AMOUNT OF TENTATIVE TAX.—

22 “(A) IN GENERAL.—The tentative min-
23 imum tax for the taxable year is the sum of—

1 “(i) 26 percent of so much of the tax-
2 able excess as does not exceed \$175,000,
3 plus

4 “(ii) 28 percent of so much of the tax-
5 able excess as exceeds \$175,000.

6 The amount determined under the preceding
7 sentence shall be reduced by the alternative
8 minimum tax foreign tax credit for the taxable
9 year.

10 “(B) TAXABLE EXCESS.—For purposes of
11 this subsection, the term ‘taxable excess’ means
12 so much of the alternative minimum taxable in-
13 come for the taxable year as exceeds the exemp-
14 tion amount.

15 “(C) MARRIED INDIVIDUAL FILING SEPA-
16 RATE RETURN.—In the case of a married indi-
17 vidual filing a separate return, clause (i) shall
18 be applied by substituting ‘\$87,500’ for
19 ‘\$175,000’ each place it appears. For purposes
20 of the preceding sentence, marital status shall
21 be determined under section 7703.”

22 (b) CONFORMING AMENDMENTS.—

23 (1) Paragraph (3) of section 55(a) is amended
24 by striking “paragraph (1)(A)(i)” and inserting
25 “paragraph (1)(A)”.

1 (2) Paragraph (1) of section 55(c) is amended
2 by striking “, the section 936 credit allowable under
3 section 27(b), and the Puerto Rico economic activity
4 credit under section 30A”.

5 (3)(A) Paragraph (1) of section 55(d) is
6 amended by—

7 (i) by striking “FOR TAXPAYERS OTHER
8 THAN CORPORATIONS” in the heading, and

9 (ii) by striking “In the case of a taxpayer
10 other than a corporation, the” and inserting
11 “The”.

12 (B) Section 55(d) is amended by striking para-
13 graph (2) and by redesignating paragraph (3) as
14 paragraph (2).

15 (C) Subparagraph (A) of section 55(d)(2), as so
16 redesignated in amended by striking “or (2)”.

17 (4) Section 55 is amended by striking sub-
18 section (e).

19 (5)(A) The heading for subsection (a) of section
20 56 is amended to read as follows:
21 “(a) GENERAL RULES.—”.

22 (B) Paragraph (1) of section 56(a) is amended
23 by striking subparagraph (D).

24 (C) Paragraph (6) of section 56(a) is
25 amended—

1 (i) by striking “paragraph (2) or sub-
2 section (b)(2)” and inserting “paragraph (2) or
3 (9)”, and

4 (ii) by striking “or (5), or subsection
5 (b)(2)” and inserting “(5), or (9)”.

6 (6)(A) Subsection (b) of section 56 is amended
7 by striking so much of such subsection as precedes
8 paragraph (1) and by redesignating paragraphs (1),
9 (2), and (3) as paragraphs (8), (9), and (10), re-
10 spectively, of subsection (a).

11 (B) Paragraph (9) of section 56(a), as so redes-
12 ignated, is amended by striking subparagraph (C)
13 and by redesignating subparagraph (D) as subpara-
14 graph (C).

15 (7) Section 56 is amended by striking sub-
16 sections (c) and (g) and by redesignating subsections
17 (d) and (e) as subsections (c) and (d), respectively.

18 (8) Subparagraph (E) of section 57(a)(2) is
19 amended—

20 (A) by striking “FOR INDEPENDENT PRO-
21 DUCERS” in the heading, and

22 (B) by striking clause (i) and inserting the
23 following new clause:

1 “(i) IN GENERAL.—This paragraph
2 shall not apply to any taxable year begin-
3 ning after December 31, 1992.”

4 (9) Subsection (a) of section 58 is amended by
5 striking paragraph (3) and by redesignating para-
6 graph (4) as paragraph (3).

7 (10)(A) Section 59 is amended by striking sub-
8 sections (b) and (f) and by redesignating subsections
9 (c), (d), (e), (g), (h), (i), and (j) as subsections (b),
10 (c), (d), (e), (f), (g), and (h), respectively.

11 (B) Paragraph (2) of section 59(d), as so redes-
12 ignated, is amended by striking “(determined with-
13 out regard to section 291)”.

14 (C) Sections 173(b), 174(f)(2), 263(c),
15 263A(c)(6), 616(e), 617(i), and 1016(a)(20) are
16 each amended by striking “59(e)” each place it ap-
17 pears and inserting “59(d)”.

18 (11) Subsection (d) of section 11 is amended by
19 striking “the taxes imposed by subsection (a) and
20 section 55” and inserting “the tax imposed by sub-
21 section (a)”.

22 (12) Section 12 is amended by striking para-
23 graph (7).

24 (13) Paragraph (6) of section 29(b) is amended
25 to read as follows:

1 “(6) APPLICATION WITH OTHER CREDITS.—

2 The credit allowed by subsection (a) for any taxable
3 year shall not exceed the excess (if any) of the reg-
4 ular tax for the taxable year reduced by the sum of
5 the credits allowable under subpart A and section
6 27. In the case of a taxpayer other than a corpora-
7 tion, such excess shall be further reduced (but not
8 below zero) by the tentative minimum tax for the
9 taxable year.”

10 (14) Paragraph (3) of section 30(b) is amended
11 to read as follows:

12 “(3) APPLICATION WITH OTHER CREDITS.—

13 The credit allowed by subsection (a) for any taxable
14 year shall not exceed the excess (if any) of the reg-
15 ular tax for the taxable year reduced by the sum of
16 the credits allowable under subpart A and sections
17 27 and 29. In the case of a taxpayer other than a
18 corporation, such excess shall be further reduced
19 (but not below zero) by the tentative minimum tax
20 for the taxable year.”

21 (15)(A) Paragraph (1) of section 38(c) is
22 amended to read as follows:

23 “(1) IN GENERAL.—

24 “(A) CORPORATIONS.—In the case of a
25 corporation, the credit allowed under subsection

1 (a) for any taxable year shall not exceed the ex-
2 cess (if any) of the taxpayer's net income tax
3 over 25 percent of so much of the taxpayer's
4 net regular tax liability as exceeds \$25,000.

5 “(B) TAXPAYERS OTHER THAN CORPORA-
6 TIONS.—In the case of a taxpayer other than a
7 corporation, the credit allowed under subsection
8 (a) for any taxable year shall not exceed the ex-
9 cess (if any) of the taxpayer's net income tax
10 over the greater of—

11 “(i) the tentative minimum tax for the
12 taxable year, or

13 “(ii) 25 percent of so much of the tax-
14 payer's net regular tax liability as exceeds
15 \$25,000.

16 “(C) DEFINITIONS.—For purposes of this
17 paragraph—

18 “(i) the term ‘net income tax’ means
19 the sum of the regular tax liability and the
20 tax imposed by section 55, reduced by the
21 credits allowable under subparts A and B
22 of this part, and

23 “(ii) the term ‘net regular tax liabil-
24 ity’ means the regular tax liability reduced

1 by the sum of the credits allowable under
2 subparts A and B of this part.”

3 (B) Clause (ii) of section 38(c)(2)(A) is amend-
4 ed to read as follows:

5 “(ii) for purposes of applying para-
6 graph (1) to such credit—

7 “(I) the applicable limitation
8 under paragraph (1) (as modified by
9 subclause (II) in the case of a tax-
10 payer other than a corporation) shall
11 be reduced by the credit allowed
12 under subsection (a) for the taxable
13 year (other than the empowerment
14 zone employment credit), and

15 “(II) in the case of a taxpayer
16 other than a corporation, 75 percent
17 of the tentative minimum tax shall be
18 substituted for the tentative minimum
19 tax under subparagraph (B)(i) there-
20 of.”

21 (C) Paragraph (3) of section 38(c) is amended
22 by striking “subparagraph (B) of” each place it ap-
23 pears.

1 (16)(A) Subclause (I) of section 53(d)(1)(B)(ii)
2 is amended by striking “subsection (b)(1)” and in-
3 serting “subsection (a)(8)”.

4 (B) Clause (iv) of section 53(d)(1)(B) is hereby
5 repealed.

6 (17)(A) Part VII of subchapter A of chapter 1
7 is hereby repealed.

8 (B) The table of parts for subchapter A of
9 chapter 1 is amended by striking the item relating
10 to part VII.

11 (C) Paragraph (2) of section 26(a) is amended
12 by striking subparagraph (B) and by redesignating
13 the succeeding subparagraphs accordingly.

14 (D) Subsection (c) of section 30A is amended
15 by striking paragraph (1) and redesignating the suc-
16 ceeding paragraphs accordingly.

17 (E) Subsection (a) of section 164 is amended
18 by striking paragraph (5).

19 (F) Subsection (a) of section 275 is amended
20 by striking “Paragraph (1) shall not apply to the
21 tax imposed by section 59A.”

22 (G) Paragraph (1) of section 882(a) is amended
23 by striking “59A,”.

1 (H) Paragraph (3) of section 936(a) is amend-
2 ed by striking subparagraph (A) and redesignating
3 the succeeding subparagraphs accordingly.

4 (I) Subsection (a) of section 1561 is amended
5 by adding “and” at the end of paragraph (2), by
6 striking “, and” at the end of paragraph (3) and in-
7 serting a period, and by striking paragraph (4).

8 (J) Subparagraph (A) of section 6425(c)(1) is
9 amended by adding “plus” at the end of clause (i),
10 by striking “plus” at the end of clause (ii) and in-
11 serting “over”, and by striking clause (iii).

12 (18) Section 382(l) (relating to limitation on
13 net operating loss carryforwards and certain built-in
14 losses following ownership change) is amended by
15 striking paragraph (7) and by redesignating para-
16 graph (8) as paragraph (7).

17 (19) Paragraph (2) of section 815(c) (relating
18 to distributions to shareholders from pre-1984 pol-
19 icyholders surplus account) is amended by striking
20 the last sentence.

21 (20) Section 847 (relating to special estimated
22 tax payments) is amended—

23 (A) in paragraph (9), by striking the last
24 sentence;

1 (B) in paragraph (10), by inserting “and”
2 at the end of subparagraph (A) and by striking
3 subparagraph (B) and redesignating subpara-
4 graph (C) as subparagraph (B).

5 (21) Section 848 (relating to capitalization of
6 certain policy acquisition expenses) is amended by
7 striking subsection (i) and by redesignating sub-
8 section (j) as subsection (i).

9 (22) Paragraph (1) of section 882(a) (relating
10 to tax on income of foreign corporations connected
11 with United States business) is amended by striking
12 “55,”.

13 (23) Paragraph (1) of section 962(a) (relating
14 to election by individuals to be subject to tax at cor-
15 porate rates) is amended by striking “sections 11
16 and 55” and inserting “section 11”.

17 (24) Subsection (a) of section 1561 (relating to
18 limitations on certain multiple tax benefits in the
19 case of certain controlled corporations) is amended
20 by striking the last sentence.

21 (25) Subparagraph (A) of section 6425(c)(1)
22 (defining income tax liability), as amended by para-
23 graph (17) is amended to read as follows:

1 “(A) the tax imposed by section 11 or
2 1201(a), or subchapter L of chapter 1, which-
3 ever is applicable, over”.

4 (26)(A) Paragraph (2) of section 6655(e) is
5 amended—

6 (i) by striking “, alternative minimum tax-
7 able income, and modified alternative minimum
8 taxable income” each place it appears in sub-
9 paragraphs (A) and (B)(i), and

10 (ii) by striking clause (iii) of subparagraph
11 (B).

12 (B) Subparagraph (A) of section 6655(g)(1)
13 (relating to failure by corporation to pay estimated
14 income tax), as amended by paragraph (17), is
15 amended to read as follows:

16 “(A) the sum of—

17 “(i) the tax imposed by section 11 or
18 1201(a), or subchapter L of chapter 1,
19 whichever applies, plus

20 “(iv) the tax imposed by section 887,
21 over”.

22 (27) The table of sections for part VI of sub-
23 chapter A of chapter 1 is amended by striking the
24 item relating to section 55 and inserting the fol-
25 lowing new item:

“Sec. 55. Alternative minimum tax for taxpayers other than corporations.”

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2000.

4 (d) REFUND OF UNUSED MINIMUM TAX CREDIT.—

5 (1) IN GENERAL.—In the case of a
6 corporation—

7 (A) section 53(c) of the Internal Revenue
8 Code of 1986 shall not apply to such corpora-
9 tion’s first taxable year beginning after Decem-
10 ber 31, 2000, and

11 (B) for purposes of such Code (other than
12 section 53 of such Code), the credit allowed by
13 section 53 of such Code for such first taxable
14 year shall be treated as if it were allowed by
15 subpart C of part IV of subchapter A of chap-
16 ter 1 of such Code (relating to refundable cred-
17 its).

18 (2) SPECIAL RULES RELATING TO
19 CARRYBACKS.—In the case of a carryback of a cor-
20 poration from a taxable year beginning after Decem-
21 ber 31, 2000, to a taxable year beginning before
22 January 1, 2001—

1 (A) the tax imposed by section 55 of such
 2 Code shall not be increased or decreased by rea-
 3 son of such a carryback,

4 (B) tentative minimum tax shall not be in-
 5 creased or decreased by reason of such a
 6 carryback for purposes of determining the
 7 amount of any credit other than the credit al-
 8 lowed by section 38, and

9 (C) the amount of such a carryback which
 10 is taken into account in determining tentative
 11 minimum tax for purposes of section 38(c) shall
 12 be the amount of such carryback which is taken
 13 into account in determining regular tax liability.

14 **SEC. 104. CARRYBACK OF CERTAIN NET OPERATING**
 15 **LOSSES ALLOWED FOR 5 YEARS.**

16 (a) IN GENERAL.—Paragraph (1) of section 172(b)
 17 (relating to years to which loss may be carried) is amended
 18 by adding at the end the following new subparagraph:

19 “(H) In the case of a taxpayer which has
 20 a net operating loss for any taxable year ending
 21 after September 10, 2001, and before Sep-
 22 tember 11, 2004, subparagraph (A)(i) shall be
 23 applied by substituting ‘5’ for ‘2’ and subpara-
 24 graph (F) shall not apply.”.

1 (b) ELECTION TO DISREGARD 5-YEAR
 2 CARRYBACK.—Section 172 (relating to net operating loss
 3 deduction) is amended by redesignating subsection (j) as
 4 subsection (k) and by inserting after subsection (i) the fol-
 5 lowing new subsection:

6 “(j) ELECTION TO DISREGARD 5-YEAR CARRYBACK
 7 FOR CERTAIN NET OPERATING LOSSES.—Any taxpayer
 8 entitled to a 5-year carryback under subsection (b)(1)(H)
 9 from any loss year may elect to have the carryback period
 10 with respect to such loss year determined without regard
 11 to subsection (b)(1)(H). Such election shall be made in
 12 such manner as may be prescribed by the Secretary and
 13 shall be made by the due date (including extensions of
 14 time) for filing the taxpayer’s return for the taxable year
 15 of the net operating loss. Such election, once made for any
 16 taxable year, shall be irrevocable for such taxable year.”.

17 (c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT
 18 ON CERTAIN NOL CARRYBACKS.—Subparagraph (A) of
 19 section 56(c)(1) (relating to general rule defining alter-
 20 native tax net operating loss deduction), as amended by
 21 section 103, is amended to read as follows:

22 “(A) the amount of such deduction shall
 23 not exceed the sum of—

24 “(i) the lesser of—

1 “(I) the amount of such deduc-
 2 tion attributable to net operating
 3 losses (other than the deduction at-
 4 tributable to carrybacks described in
 5 clause (ii)(I)), or

6 “(II) 90 percent of alternate
 7 minimum taxable income determined
 8 without regard to such deduction, plus
 9 “(ii) the lesser of—

10 “(I) the amount of such deduc-
 11 tion attributable to carrybacks of net
 12 operating losses for taxable years end-
 13 ing after September 10, 2001, and be-
 14 fore September 11, 2004, or

15 “(II) alternate minimum taxable
 16 income determined without regard to
 17 such deduction reduced by the amount
 18 determined under clause (i), and”.

19 (d) EFFECTIVE DATE.—The amendments made by
 20 this section shall apply to net operating losses for taxable
 21 years ending after September 10, 2001.

22 **SEC. 105. RECOVERY PERIOD FOR DEPRECIATION OF CER-**
 23 **TAIN LEASEHOLD IMPROVEMENTS.**

24 (a) 15-YEAR RECOVERY PERIOD.—Subparagraph
 25 (E) of section 168(e)(3) (relating to 15-year property) is

1 amended by striking “and” at the end of clause (ii), by
 2 striking the period at the end of clause (iii) and inserting
 3 “, and”, and by adding at the end the following new
 4 clause:

5 “(iv) any qualified leasehold improve-
 6 ment property.”.

7 (b) QUALIFIED LEASEHOLD IMPROVEMENT PROP-
 8 ERTY.—Subsection (e) of section 168 is amended by add-
 9 ing at the end the following new paragraph:

10 “(6) QUALIFIED LEASEHOLD IMPROVEMENT
 11 PROPERTY.—

12 “(A) IN GENERAL.—The term ‘qualified
 13 leasehold improvement property’ means any im-
 14 provement to an interior portion of a building
 15 which is nonresidential real property if—

16 “(i) such improvement is made under
 17 or pursuant to a lease (as defined in sub-
 18 section (h)(7))—

19 “(I) by the lessee (or any subles-
 20 see) of such portion, or

21 “(II) by the lessor of such por-
 22 tion,

23 “(ii) such portion is to be occupied ex-
 24 clusively by the lessee (or any sublessee) of
 25 such portion, and

1 “(iii) such improvement is placed in
2 service more than 3 years after the date
3 the building was first placed in service.

4 “(B) CERTAIN IMPROVEMENTS NOT IN-
5 CLUDED.—Such term shall not include any im-
6 provement for which the expenditure is attrib-
7 utable to—

8 “(i) the enlargement of the building,

9 “(ii) any elevator or escalator,

10 “(iii) any structural component bene-
11 fitting a common area, and

12 “(iv) the internal structural frame-
13 work of the building.

14 “(C) DEFINITIONS AND SPECIAL RULES.—

15 For purposes of this paragraph—

16 “(i) COMMITMENT TO LEASE TREAT-
17 ED AS LEASE.—A commitment to enter
18 into a lease shall be treated as a lease, and
19 the parties to such commitment shall be
20 treated as lessor and lessee, respectively.

21 “(ii) RELATED PERSONS.—A lease be-
22 tween related persons shall not be consid-
23 ered a lease. For purposes of the preceding
24 sentence, the term ‘related persons’
25 means—

1 “(I) members of an affiliated
2 group (as defined in section 1504),
3 and

4 “(II) persons having a relation-
5 ship described in subsection (b) of
6 section 267; except that, for purposes
7 of this clause, the phrase ‘80 percent
8 or more’ shall be substituted for the
9 phrase ‘more than 50 percent’ each
10 place it appears in such subsection.

11 “(D) IMPROVEMENTS MADE BY LESSOR.—

12 “(i) IN GENERAL.—In the case of an
13 improvement made by the person who was
14 the lessor of such improvement when such
15 improvement was placed in service, such
16 improvement shall be qualified leasehold
17 improvement property (if at all) only so
18 long as such improvement is held by such
19 person.

20 “(ii) EXCEPTION FOR CHANGES IN
21 FORM OF BUSINESS.—Property shall not
22 cease to be qualified leasehold improve-
23 ment property under clause (i) by reason
24 of—

25 “(I) death,

1 “(II) a transaction to which sec-
 2 tion 381(a) applies, or

3 “(III) a mere change in the form
 4 of conducting the trade or business so
 5 long as the property is retained in
 6 such trade or business as qualified
 7 leasehold improvement property and
 8 the taxpayer retains a substantial in-
 9 terest in such trade or business.”

10 (c) REQUIREMENT TO USE STRAIGHT LINE METH-
 11 OD.—Paragraph (3) of section 168(b) is amended by add-
 12 ing at the end the following new subparagraph:

13 “(G) Qualified leasehold improvement
 14 property described in subsection (e)(6).”.

15 (d) ALTERNATIVE SYSTEM.—The table contained in
 16 section 168(g)(3)(B) is amended by adding at the end the
 17 following new item:

“(E)(iv) 15”.

18 (e) EFFECTIVE DATE.—The amendments made by
 19 this section shall apply to qualified leasehold improvement
 20 property placed in service after September 10, 2001.

TITLE II—INDIVIDUAL PROVISIONS

SEC. 201. ACCELERATION OF 25 PERCENT INDIVIDUAL IN- COME TAX RATE.

(a) IN GENERAL.—The table contained in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended—

(1) by striking “27.0%” and inserting “25.0%”, and

(2) by striking “26.0%” and inserting “25.0%”.

(b) REDUCTION NOT TO INCREASE MINIMUM TAX.—

(1) Subparagraph (A) of section 55(d)(1) is amended by striking “(\$49,000 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)” and inserting “(\$49,000 in the case of taxable years beginning in 2001, \$52,200 in the case of taxable years beginning in 2002 or 2003, and \$50,700 in the case of taxable years beginning in 2004)”.

(2) Subparagraph (B) of section 55(d)(1) is amended by striking “(\$35,750 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)” and inserting “(\$35,750 in the case of taxable years beginning in 2001, \$37,350 in the case of

1 taxable years beginning in 2002 or 2003, and
 2 \$36,600 in the case of taxable years beginning in
 3 2004)''.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall apply to taxable years beginning after
 6 December 31, 2001.

7 (d) SECTION 15 NOT TO APPLY.—No amendment
 8 made by this section shall be treated as a change in a
 9 rate of tax for purposes of section 15 of the Internal Rev-
 10 enue Code of 1986 .

11 **SEC. 202. REPEAL OF 5-YEAR HOLDING PERIOD REQUIRE-**
 12 **MENT FOR REDUCED INDIVIDUAL CAPITAL**
 13 **GAINS RATES.**

14 (a) IN GENERAL.—

15 (1) Sections 1(h)(1)(B) and 55(b)(3)(B) are
 16 each amended by striking “10 percent” and insert-
 17 ing “8 percent”.

18 (2) The following sections are each amended by
 19 striking “20 percent” and inserting “18 percent”:

20 (A) Section 1(h)(1)(C).

21 (B) Section 55(b)(3)(C).

22 (C) Section 1445(e)(1).

23 (D) The second sentence of section
 24 7518(g)(6)(A).

1 (E) The second sentence of section
2 607(h)(6)(A) of the Merchant Marine Act,
3 1936.

4 (b) CONFORMING AMENDMENTS.—

5 (1) Section 311 of the Taxpayer Relief Act of
6 1997 is amended by striking subsection (e).

7 (2) Section 1(h) is amended—

8 (A) by striking paragraphs (2) and (9),

9 (B) by redesignating paragraphs (3)
10 through (8) as paragraphs (2) through (7), re-
11 spectively, and

12 (C) by redesignating paragraphs (10),
13 (11), and (12) as paragraphs (8), (9), and (10),
14 respectively.

15 (3) Paragraph (3) of section 55(b) is amended
16 by striking “In the case of taxable years beginning
17 after December 31, 2000, rules similar to the rules
18 of section 1(h)(2) shall apply for purposes of sub-
19 paragraphs (B) and (C).”.

20 (4) Paragraph (7) of section 57(a) is amended
21 by striking the last sentence and by striking “42
22 percent” and inserting “28 percent”.

23 (c) TRANSITIONAL RULES FOR TAXABLE YEARS
24 WHICH INCLUDE OCTOBER 12, 2001.—For purposes of
25 applying section 1(h) of the Internal Revenue Code of

1 1986 in the case of a taxable year which includes October
2 12, 2001—

3 (1) The amount of tax determined under sub-
4 paragraph (B) of section 1(h)(1) of such Code shall
5 be the sum of—

6 (A) 8 percent of the lesser of—

7 (i) the sum of—

8 (I) the net capital gain taking
9 into account only gain or loss properly
10 taken into account for the portion of
11 the taxable year on or after October
12 12, (determined without regard to col-
13 lectibles gain or loss, gain described in
14 section (1)(h)(6)(A)(i) of such Code,
15 and section 1202 gain), and

16 (II) the qualified 5-year gain
17 properly taken into account for the
18 portion of the taxable year before Oc-
19 tober 12, 2001, or

20 (ii) the amount on which a tax is de-
21 termined under such subparagraph (with-
22 out regard to this subsection), plus

23 (B) 10 percent of the excess (if any) of—

1 (i) the amount on which a tax is de-
 2 termined under such subparagraph (with-
 3 out regard to this subsection), over

4 (ii) the amount on which a tax is de-
 5 termined under subparagraph (A).

6 (2) The amount of tax determined under sub-
 7 paragraph (C) of section (1)(h)(1) of such Code
 8 shall be the sum of—

9 (A) 18 percent of the lesser of—

10 (i) the excess (if any) of the amount
 11 of net capital gain determined under sub-
 12 paragraph (A)(i) of paragraph (1) of this
 13 subsection over the amount on which a tax
 14 is determined under subparagraph (A) of
 15 paragraph (1) of this subsection, or

16 (ii) the amount on which a tax is de-
 17 termined under such subparagraph (C)
 18 (without regard to this subsection), plus

19 (B) 20 percent of the excess (if any) of—

20 (i) the amount on which a tax is de-
 21 termined under such subparagraph (C)
 22 (without regard to this subsection), over

23 (ii) the amount on which a tax is de-
 24 termined under subparagraph (A) of this
 25 paragraph.

1 (3) For purposes of applying section 55(b)(3)
2 of such Code, rules similar to the rules of para-
3 graphs (1) and (2) of this subsection shall apply.

4 (4) In applying this subsection with respect to
5 any pass-thru entity, the determination of when
6 gains and loss are properly taken into account shall
7 be made at the entity level.

8 (5) Terms used in this subsection which are
9 also used in section 1(h) of such Code shall have the
10 respective meanings that such terms have in such
11 section.

12 (d) EFFECTIVE DATES.—

13 (1) IN GENERAL.—Except as otherwise pro-
14 vided by this subsection, the amendments made by
15 this section shall apply to taxable years ending on or
16 after October 12, 2001.

17 (2) WITHHOLDING.—The amendment made by
18 subsection (a)(2)(C) shall apply to amounts paid
19 after the date of the enactment of this Act.

20 (3) SMALL BUSINESS STOCK.—The amend-
21 ments made by subsection (b)(4) shall apply to dis-
22 positions on or after October 12, 2001.

1 **SEC. 203. TEMPORARY INCREASE IN DEDUCTION FOR CAP-**
 2 **ITAL LOSSES OF TAXPAYERS OTHER THAN**
 3 **CORPORATIONS.**

4 (a) IN GENERAL.—Subsection (b) of section 1211
 5 (relating to limitation on capital losses for taxpayers other
 6 than corporations) is amended by adding at the end the
 7 following flush sentence:
 8 “Paragraph (1) shall be applied by substituting ‘\$4,000’
 9 for ‘\$3,000’ and ‘\$2,000’ for ‘\$1,500’ in the case of tax-
 10 able years beginning in 2001, and by substituting ‘\$5,000’
 11 for ‘\$3,000’ and ‘\$2,500’ for ‘\$1,500’ in the case of tax-
 12 able years beginning in 2002.”.

13 (b) EFFECTIVE DATE.—The amendment made by
 14 subsection (a) shall apply to taxable years beginning after
 15 December 31, 2000.

16 **SEC. 204. TEMPORARY EXPANSION OF PENALTY-FREE RE-**
 17 **TIREMENT PLAN DISTRIBUTIONS FOR**
 18 **HEALTH INSURANCE PREMIUMS OF UNEM-**
 19 **PLOYED INDIVIDUALS.**

20 (a) IN GENERAL.—Subparagraph (D) of section
 21 72(t)(2) is amended by adding at the end the following
 22 new clause:

23 “(iv) SPECIAL RULES FOR INDIVID-
 24 UALS RECEIVING UNEMPLOYMENT COM-
 25 PENSATION AFTER SEPTEMBER 10, 2001,
 26 AND BEFORE JANUARY 1, 2003.—In the

case of an individual who receives unemployment compensation for 4 consecutive weeks after September 10, 2001, and before January 1, 2003—

“(I) clause (i) shall apply to distributions from all qualified retirement plans (as defined in section 4974(c)), and

“(II) such 4 consecutive weeks shall be substituted for the 12 consecutive weeks referred to in subclause (I) of clause (i).”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions after the date of the enactment of this Act.

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Two-Year Extensions

SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS AGAINST REGULAR AND MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Paragraph (2) of section 26(a) is amended—

1 (1) by striking “RULE FOR 2000 AND 2001.—”
2 and inserting “RULE FOR 2000, 2001, 2002, AND
3 2003.—”, and

4 (2) by striking “during 2000 or 2001,” and in-
5 serting “during 2000, 2001, 2002, or 2003,”.

6 (b) CONFORMING AMENDMENTS.—

7 (1) Section 904(h) is amended by striking “dur-
8 ing 2000 or 2001” and inserting “during 2000,
9 2001, 2002, or 2003”.

10 (2) The amendments made by sections 201(b),
11 202(f), and 618(f) of the Economic Growth and Tax
12 Relief Reconciliation Act of 2001 shall not apply to
13 taxable years beginning during 2002 and 2003.

14 (c) TECHNICAL CORRECTION.—Section 24(d)(1)(B)
15 is amended by striking “amount of credit allowed by this
16 section” and inserting “aggregate amount of credits al-
17 lowed by this subpart.”.

18 (d) EFFECTIVE DATES.—

19 (1) The amendments made by subsections (a)
20 and (b) shall apply to taxable years beginning after
21 December 31, 2001.

22 (2) The amendment made by subsection (c)
23 shall apply to taxable years beginning after Decem-
24 ber 31, 2000.

1 **SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.**

2 (a) IN GENERAL.—Section 30 is amended—

3 (1) in subsection (b)(2)—

4 (A) by striking “December 31, 2001,” and
5 inserting “December 31, 2003,” and

6 (B) in subparagraphs (A), (B), and (C), by
7 striking “2002”, “2003”, and “2004”, respec-
8 tively, and inserting “2004”, “2005”, and
9 “2006”, respectively, and

10 (2) in subsection (e), by striking “December 31,
11 2004” and inserting “December 31, 2006”.

12 (b) EFFECTIVE DATE.—The amendments made by
13 subsection (a) shall apply to taxable years beginning after
14 December 31, 2001.

15 **SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM RE-**
16 **NEWABLE RESOURCES.**

17 (a) IN GENERAL.—Subparagraphs (A), (B), and (C)
18 of section 45(c)(3) are each amended by striking “2002”
19 and inserting “2004”.

20 (b) EFFECTIVE DATE.—The amendments made by
21 subsection (a) shall take effect on the date of the enact-
22 ment of this Act.

23 **SEC. 304. WORK OPPORTUNITY CREDIT.**

24 (a) IN GENERAL.—Subparagraph (B) of section
25 51(c)(4) is amended by striking “2001” and inserting
26 “2003”.

1 (b) EFFECTIVE DATE.—The amendment made by
 2 subsection (a) shall apply to individuals who begin work
 3 for the employer after December 31, 2001.

4 **SEC. 305. WELFARE-TO-WORK CREDIT.**

5 (a) IN GENERAL.—Subsection (f) of section 51A is
 6 amended by striking “2001” and inserting “2003”.

7 (b) EFFECTIVE DATE.—The amendment made by
 8 subsection (a) shall apply to individuals who begin work
 9 for the employer after December 31, 2001.

10 **SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND**
 11 **CERTAIN REFUELING PROPERTY.**

12 (a) IN GENERAL.—Section 179A is amended—

13 (1) in subsection (b)(1)(B)—

14 (A) by striking “December 31, 2001,” and
 15 inserting “December 31, 2003,” and

16 (B) in clauses (i), (ii), and (iii), by striking
 17 “2002”, “2003”, and “2004”, respectively, and
 18 inserting “2004”, “2005”, and “2006”, respec-
 19 tively, and

20 (2) in subsection (f), by striking “December 31,
 21 2004” and inserting “December 31, 2006”.

22 (b) EFFECTIVE DATE.—The amendments made by
 23 subsection (a) shall take effect on the date of the enact-
 24 ment of this Act.

1 **SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
2 **TION FOR OIL AND NATURAL GAS PRODUCED**
3 **FROM MARGINAL PROPERTIES.**

4 (a) IN GENERAL.—Subparagraph (H) of section
5 613A(c)(6) is amended by striking “2002” and inserting
6 “2004”.

7 (b) EFFECTIVE DATE.—The amendment made by
8 subsection (a) shall apply to taxable years beginning after
9 December 31, 2001.

10 **SEC. 308. QUALIFIED ZONE ACADEMY BONDS.**

11 (a) IN GENERAL.—Paragraph (1) of section
12 1397E(e) is amended by striking “2000, and 2001” and
13 inserting “2000, 2001, 2002, and 2003”.

14 (b) EFFECTIVE DATE.—The amendment made by
15 subsection (a) shall take effect on the date of the enact-
16 ment of this Act.

17 **SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.**

18 (a) IN GENERAL.—Paragraph (1) of section 7652(f)
19 is amended by striking “January 1, 2002” and inserting
20 “January 1, 2004”.

21 (b) EFFECTIVE DATE.—The amendment made by
22 subsection (a) shall take effect on the date of the enact-
23 ment of this Act.

1 **SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
 2 **TO MENTAL HEALTH BENEFITS.**

3 (a) IN GENERAL.—Subsection (f) of section 9812 is
 4 amended by striking “2001” and inserting “2003”.

5 (b) EFFECTIVE DATE.—The amendment made by
 6 subsection (a) shall apply to plan years beginning after
 7 December 31, 2001.

8 **SEC. 311. DELAY IN EFFECTIVE DATE OF REQUIREMENT**
 9 **FOR APPROVED DIESEL OR KEROSENE TER-**
 10 **MINALS.**

11 Paragraph (2) of section 1032(f) of the Taxpayer Re-
 12 lief Act of 1997 (Public Law 105–34) is amended by strik-
 13 ing “January 1, 2002” and inserting “January 1, 2004”.

14 **Subtitle B—One-Year Extensions**

15 **SEC. 321. ONE-YEAR EXTENSION OF AVAILABILITY OF MED-**
 16 **ICAL SAVINGS ACCOUNTS.**

17 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
 18 tion 220(i) (defining cut-off year) are each amended by
 19 striking “2002” each place it appears and inserting
 20 “2003”.

21 (b) CONFORMING AMENDMENTS.—

22 (1) Paragraph (2) of section 220(j) is amended
 23 by striking “1998, 1999, or 2001” each place it ap-
 24 pears and inserting “1998, 1999, 2001, or 2002”.

1 (2) Subparagraph (A) of section 220(j)(4) is
 2 amended by striking “and 2001” and inserting
 3 “2001, and 2002”.

4 (c) EFFECTIVE DATE.—The amendments made by
 5 this section shall take effect on the date of the enactment
 6 of this Act.

7 **Subtitle C—Permanent Extensions**

8 **SEC. 331. SUBPART F EXEMPTION FOR ACTIVE FINANCING.**

9 (a) IN GENERAL.—

10 (1) Section 953(e)(10) is amended—

11 (A) by striking “, and before January 1,
 12 2002,” and

13 (B) by striking the second sentence.

14 (2) Section 954(h)(9) is amended by striking “,
 15 and before January 1, 2002,”.

16 (b) EFFECTIVE DATE.—The amendments made by
 17 subsection (a) shall apply to taxable years beginning after
 18 December 31, 2001.

19 **Subtitle D—Other Provisions**

20 **SEC. 341. EXCLUDED CANCELLATION OF INDEBTEDNESS**

21 **INCOME OF S CORPORATION NOT TO RESULT**
 22 **IN ADJUSTMENT TO BASIS OF STOCK OF**
 23 **SHAREHOLDERS.**

24 (a) IN GENERAL.—Subparagraph (A) of section
 25 108(d)(7) (relating to certain provisions to be applied at

1 corporate level) is amended by inserting before the period
 2 “, including by not taking into account under section
 3 1366(a) any amount excluded under subsection (a) of this
 4 section”.

5 (b) EFFECTIVE DATE.—

6 (1) IN GENERAL.—The amendment made by
 7 this section shall apply to taxable years beginning
 8 before, on, or after October 12, 2001.

9 (2) EXCEPTION.—The amendment made by this
 10 section shall not apply to any shareholder with re-
 11 spect to any discharge of indebtedness if the position
 12 upheld in *Gitlitz v. Commissioner* (121 S. Ct. 701
 13 (2001)) was taken by such shareholder with respect
 14 to such discharge on a return or claim for refund
 15 filed before October 12, 2001.

16 **SEC. 342. LIMITATION ON USE OF NONACCRUAL EXPERI-**
 17 **ENCE METHOD OF ACCOUNTING.**

18 (a) IN GENERAL.—Paragraph (5) of section 448(d)
 19 is amended to read as follows:

20 “(5) SPECIAL RULE FOR CERTAIN SERVICES.—

21 “(A) IN GENERAL.—In the case of any
 22 person using an accrual method of accounting
 23 with respect to amounts to be received for the
 24 performance of services by such person, such
 25 person shall not be required to accrue any por-

tion of such amounts which (on the basis of such person's experience) will not be collected if—

“(i) such services are in fields referred to in paragraph (2)(A), or

“(ii) such person meets the gross receipts test of subsection (c) for all prior taxable years.

“(B) EXCEPTION.—This paragraph shall not apply to any amount if interest is required to be paid on such amount or there is any penalty for failure to timely pay such amount.

“(C) REGULATIONS.—The Secretary shall prescribe regulations to permit taxpayers to determine amounts referred to in subparagraph (A) using computations or formulas which, based on experience, accurately reflect the amount of income that will not be collected by such person. A taxpayer may adopt, or request consent of the Secretary to change to, a computation or formula that clearly reflects the taxpayer's experience. A request under the preceding sentence shall be approved only if such computation or formula clearly reflects the taxpayer's experience.”.

1 (b) EFFECTIVE DATE.—

2 (1) IN GENERAL.—The amendments made by
3 this section shall apply to taxable years ending after
4 the date of the enactment of this Act.

5 (2) CHANGE IN METHOD OF ACCOUNTING.—In
6 the case of any taxpayer required by the amend-
7 ments made by this section to change its method of
8 accounting for its first taxable year ending after the
9 date of the enactment of this Act—

10 (A) such change shall be treated as initi-
11 ated by the taxpayer,

12 (B) such change shall be treated as made
13 with the consent of the Secretary of the Treas-
14 ury, and

15 (C) the net amount of the adjustments re-
16 quired to be taken into account by the taxpayer
17 under section 481 of the Internal Revenue Code
18 of 1986 shall be taken into account over a pe-
19 riod of 4 years (or if less, the number of taxable
20 years that the taxpayer used the method per-
21 mitted under section 448(d)(5) of such Code as
22 in effect before the date of the enactment of
23 this Act) beginning with such first taxable year.

1 **TITLE IV—SUPPLEMENTAL**
2 **REBATE; OTHER PROVISIONS**

3 **SEC. 401. SUPPLEMENTAL REBATE.**

4 (a) IN GENERAL.—Section 6428 (relating to accel-
5 eration of 10 percent income tax rate bracket benefit for
6 2001) is amended by adding at the end the following new
7 subsection:

8 “(f) SUPPLEMENTAL REBATE.—

9 “(1) IN GENERAL.—Each individual who was
10 an eligible individual for such individual’s first tax-
11 able year beginning in 2000 and who, before August
12 16, 2001, filed a return of tax imposed by subtitle
13 A for such taxable year shall be treated as having
14 made a payment against the tax imposed by chapter
15 1 for such first taxable year in an amount equal to
16 the supplemental refund amount for such taxable
17 year.

18 “(2) SUPPLEMENTAL REFUND AMOUNT.—For
19 purposes of this subsection, the supplemental refund
20 amount is an amount equal to the excess (if any)
21 of—

22 “(A)(i) \$600 in the case of taxpayers to
23 whom section 1(a) applies,

24 “(ii) \$500 in the case of taxpayers to
25 whom section 1(b) applies, and

1 “(iii) \$300 in the case of taxpayers to
2 whom subsections (c) or (d) of section 1 ap-
3 plies, over

4 “(B) the taxpayer’s advance refund
5 amount under subsection (e).

6 “(3) TIMING OF PAYMENTS.—In the case of
7 any overpayment attributable to this subsection, the
8 Secretary shall, subject to the provisions of this title,
9 refund or credit such overpayment as rapidly as pos-
10 sible. No refund or credit shall be made or allowed
11 under this subsection after December 31, 2001.

12 “(4) NO INTEREST.—No interest shall be al-
13 lowed on any overpayment attributable to this sub-
14 section.”

15 (b) CONFORMING AMENDMENTS.—

16 (1) Subparagraph (A) of section 6428(d)(1) is
17 amended by striking “subsection (e)” and inserting
18 “subsections (e) and (f)”.

19 (2) Subparagraph (B) of section 6428(d)(1) is
20 amended by striking “subsection (e)” and inserting
21 “subsection (e) or (f)”.

22 (3) Paragraph (3) of section 6428(e) is amend-
23 ed by striking “December 31, 2001” and inserting
24 “the date of the enactment of the Economic Security
25 and Recovery Act of 2001”.

1 (c) EFFECTIVE DATE.—The amendments made by
 2 this section shall take effect on the date of the enactment
 3 of this Act.

4 **SEC. 402. SPECIAL REED ACT TRANSFER IN FISCAL YEAR**
 5 **2002.**

6 (a) REPEAL OF CERTAIN PROVISIONS ADDED BY
 7 THE BALANCED BUDGET ACT OF 1997.—

8 (1) IN GENERAL.—The following provisions of
 9 section 903 of the Social Security Act (42 U.S.C.
 10 1103) are repealed:

11 (A) Paragraph (3) of subsection (a).

12 (B) The last sentence of subsection (c)(2).

13 (2) SAVINGS PROVISION.—Any amounts trans-
 14 ferred before the date of enactment of this Act
 15 under the provision repealed by paragraph (1)(A)
 16 shall remain subject to section 903 of the Social Se-
 17 curity Act, as last in effect before such date of en-
 18 actment.

19 (b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—
 20 Section 903 of the Social Security Act is amended by add-
 21 ing at the end the following:

22 “Special Transfer in Fiscal Year 2002

23 “(d)(1) The Secretary of the Treasury shall transfer
 24 (as of the date determined under paragraph (5)(A)) from
 25 the Federal unemployment account to the account of each

1 State in the Unemployment Trust Fund the amount deter-
2 mined with respect to such State under paragraph (2).

3 “(2) The amount to be transferred under this sub-
4 section to a State account shall (as determined by the Sec-
5 retary of Labor and certified by such Secretary to the Sec-
6 retary of the Treasury) be equal to—

7 “(A) the amount which would have been re-
8 quired to have been transferred under this section to
9 such account at the beginning of fiscal year 2002 if
10 section 402(a)(1) of the Economic Security and Re-
11 covery Act of 2001 had been enacted before the close
12 of fiscal year 2001, minus

13 “(B) the amount which was in fact transferred
14 under this section to such account at the beginning
15 of fiscal year 2002.

16 “(3)(A) Except as provided in paragraph (4),
17 amounts transferred to a State account pursuant to this
18 subsection may be used only in the payment of cash
19 benefits—

20 “(i) to individuals with respect to their unem-
21 ployment, and

22 “(ii) which are allowable under subparagraph
23 (B) or (C).

24 “(B)(i) At the option of the State, cash benefits
25 under this paragraph may include amounts which shall be

1 payable as regular or additional compensation for individ-
2 uals eligible for regular compensation under the unemploy-
3 ment compensation law of such State.

4 “(ii) Any additional compensation under clause (i)
5 may not be taken into account for purposes of any deter-
6 mination relating to the amount of any extended com-
7 pensation for which an individual might be eligible.

8 “(C)(i) At the option of the State, cash benefits
9 under this paragraph may include amounts which shall be
10 payable to 1 or more categories of individuals not other-
11 wise eligible for regular compensation under the unem-
12 ployment compensation law of such State.

13 “(ii) The benefits paid under this subparagraph to
14 any individual may not, for any period of unemployment,
15 exceed the maximum amount of regular compensation au-
16 thorized under the unemployment compensation law of
17 such State for that same period, plus any additional bene-
18 fits (described in subparagraph (B)(i)) which could have
19 been paid with respect to that amount.

20 “(D) Amounts transferred to a State account under
21 this subsection may be used in the payment of cash bene-
22 fits to individuals only for weeks of unemployment—

23 “(i) beginning after the date of enactment of
24 this subsection, and

25 “(ii) ending on or before March 11, 2003.

1 “(4) Amounts transferred to a State account under
2 this subsection may be used for the administration of its
3 unemployment compensation law and public employment
4 offices (including in connection with benefits described in
5 paragraph (3) and any recipients thereof), subject to the
6 same conditions as set forth in subsection (c)(2) (exclud-
7 ing subparagraph (B) thereof, and deeming the reference
8 to ‘subsections (a) and (b)’ in subparagraph (D) thereof
9 to include this subsection).

10 “(5) Transfers under this subsection—

11 “(A) shall be made on such date as the Sec-
12 retary of Labor (in consultation with the Secretary
13 of the Treasury) shall determine, but in no event
14 later than 10 days after the date of enactment of
15 this subsection, and

16 “(B) may, notwithstanding any other provision
17 of this subsection, be made only to the extent that
18 they do not to exceed—

19 “(i) the balance in the Federal unemploy-
20 ment account as of the date determined under
21 subparagraph (A), or

22 “(ii) the total amount that was transferred
23 under this section to the Federal unemployment
24 account at the beginning of fiscal year 2002,
25 whichever is less.”

1 (c) LIMITATIONS ON TRANSFERS.—Section 903(b) of
2 the Social Security Act shall apply to transfers under sec-
3 tion 903(d) of such Act (as amended by this section). For
4 purposes of the preceding sentence, such section 903(b)
5 shall be deemed to be amended as follows:

6 (1) By substituting “the transfer date described
7 in subsection (d)(5)(A)” for “October 1 of any fiscal
8 year”.

9 (2) By substituting “remain in the Federal un-
10 employment account” for “be transferred to the
11 Federal unemployment account as of the beginning
12 of such October 1”.

13 (3) By substituting “fiscal year 2002 (after the
14 transfer date described in subsection (d)(5)(A))” for
15 “the fiscal year beginning on such October 1”.

16 (4) By substituting “under subsection (d)” for
17 “as of October 1 of such fiscal year”.

18 (5) By substituting “(as of the close of fiscal
19 year 2002)” for “(as of the close of such fiscal
20 year)”.

21 (d) TECHNICAL AMENDMENTS.—(1) Sections
22 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue
23 Code of 1986 are amended by inserting “or 903(d)(4)”
24 before “of the Social Security Act”.

1 (2) Section 303(a)(5) of the Social Security Act is
 2 amended in the second proviso by inserting “or 903(d)(4)”
 3 after “903(c)(2)”.

4 (e) REGULATIONS.—The Secretary of Labor may
 5 prescribe any operating instructions or regulations nec-
 6 essary to carry out this section and the amendments made
 7 by this section.

8 **TITLE V—HEALTH CARE ASSIST-** 9 **ANCE FOR THE UNEMPLOYED**

10 **SEC. 501. HEALTH CARE ASSISTANCE FOR THE UNEM-** 11 **PLOYED.**

12 Title XX of the Social Security Act (42 U.S.C. 1397–
 13 1397f) is amended by adding at the end the following:

14 **“SEC. 2008. GRANTS FOR HEALTH CARE ASSISTANCE FOR** 15 **THE UNEMPLOYED.**

16 “(a) FUNDING.—For purposes of section 2003, the
 17 amount specified in section 2003(c) for fiscal year 2002
 18 is increased by \$3,000,000,000.

19 “(b) USE OF FUNDS.—Notwithstanding any other
 20 provision of this title, to the extent that an amount paid
 21 to a State under section 2002 is attributable to funds
 22 made available by reason of subsection (a) of this
 23 section—

24 “(1) the State shall use the amount to assist an
 25 unemployed individual who is not eligible for Federal

1 health coverage to purchase health care coverage for
 2 the individual or any member of the family of the in-
 3 dividual who is not so eligible; and

4 “(2) the amount—

5 “(A) shall be used to supplement, not sup-
 6 plant, any other Federal, State, or local funds
 7 that are used for the provision of health care
 8 coverage; and

9 “(B) may not be included in determining
 10 the amount of non-Federal contributions re-
 11 quired under any program.

12 “(c) DEFINITIONS.—In this section:

13 “(1) UNEMPLOYED INDIVIDUAL.—The term
 14 ‘unemployed individual’ means an individual who—

15 “(A) is without a job (determined in ac-
 16 cordance with the criteria used by the Bureau
 17 of Labor Statistics of the Department of Labor
 18 in defining individuals as unemployed);

19 “(B) is seeking and available for work; and

20 “(C) has or had a benefit year (within the
 21 meaning of section 205 of the Federal-State
 22 Extended Unemployment Compensation Act of
 23 1970) beginning on or after January 1, 2001.

24 “(2) FEDERAL HEALTH COVERAGE.—

1 “(A) IN GENERAL.—Subject to subpara-
2 graph (B), the term ‘Federal health coverage’
3 means coverage under any medical care pro-
4 gram described in—

5 “(i) title XVIII, XIX, or XXI of this
6 Act (other than under section 1928);

7 “(ii) chapter 55 of title 10, United
8 States Code;

9 “(iii) chapter 17 of title 38, United
10 States Code;

11 “(iv) chapter 89 of title 5, United
12 States Code (other than coverage which is
13 comparable to continuation coverage under
14 section 4980B of the Internal Revenue
15 Code of 1986); or

16 “(v) the Indian Health Care Improve-
17 ment Act.

18 “(B) SPECIAL RULE.—Such term does not
19 include coverage under a qualified long-term
20 care insurance contract.”.

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